



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: SB 828 SRS 03- 1310
Bill Text Version: RE-REENGROSSED
Opp Chamb Action:
Sub Bill For:
Proposed Amd:

Date:	May 17, 2003	12:40 PM	Author:	BOISSIERE
Dept/Agy:	Public Safety			
Subject:	Gaming - Slot Machines At Orleans Parish Horse Racing Track		Analyst:	Greg Albrecht

GAMING RR -\$100,000 GF RV See Note Page 1 of 2
Authorizes slot machine gaming at eligible live horse racing facility in Orleans Parish.

Adds Orleans Parish to the list of parishes within which one racing facility can be licensed to conduct slot machine gaming. Dependent upon amendment of the land-based casino operating contract to provide that this does not constitute an Exclusivity Violation of that contract. Limits the number of slot machines to a maximum of 300 after July 1, 2003, 400 after July 1, 2004, 500 after July 1, 2005, and 700 after July 1, 2005 if the annual gross gaming revenue of the land-based casino exceeds \$350 million. If a land-based casino contracts terminates, there would be no limit on the number of slot machines.

Creates the Orleans Parish Excellence Fund to receive 5% of the state portion of taxable net slot machine proceeds and specifies its uses. Also specifies the uses of the similar 5% receipts of the St. Landry Parish Excellence Fund and the 5% receipts from the Bossier Parish slot gaming facility, as well.

Dedicates \$50,000 per year of state receipts to the Southern University Urban Tourism and Marketing Program and \$50,000 per year to the Orleans Parish District Attorney's Office.

EXPENDITURES	2003-04	2004-05	2005-06	2006-07	2007-08	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$322,000	\$307,000	\$318,000	\$329,000	\$341,000	\$1,617,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$322,000	\$307,000	\$318,000	\$329,000	\$341,000	\$1,617,000
REVENUES	2003-04	2004-05	2005-06	2006-07	2007-08	5 YEAR TOTAL
State General Fd.	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$1,400,000	\$3,600,000	\$4,600,000	\$4,600,000	\$4,600,000	\$18,800,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$1,300,000	\$3,500,000	\$4,500,000	\$4,500,000	\$4,500,000	\$18,300,000

EXPENDITURE EXPLANATION:
The bill prioritizes enforcement expenses. The State Police reported expenses and positions they would need. The Attorney General indicates that their current staff could handle the incremental work associated with this new facility. Full year expenses are depicted for all years since these costs will begin occurring before actual gaming operations begin. (Continued on page 2)

REVENUE EXPLANATION:
The bill contemplates that slot machines would be phased-in over a three year period: 300 in FY04, 400 in FY05, and 500 in FY06 and beyond. Annual net slot machine proceeds at the Fairgrounds facility is estimated to be as much as \$9 million in FY04, \$24 million in FY05, and \$30 million in FY06 - FY08. The assumptions underlying this estimate are discussed on page two. For illustrative purposes, a half year impact is shown for FY04 and full year impacts for subsequent years.

Current law (R.S. 27:361) requires contributions of a portion (18%) of annual net slot machine proceeds to support pari-mutuel wagering facilities as a condition of licensing. These required contributions to race purse supplements and to the breeder's associations total some \$1.6 million in FY04, \$4.3 million in FY05, and \$5.4 million in FY06 - FY08, respectively. These amounts are allocated as provided in current law, do not need appropriation, and are not included in the table above.

A state tax of 18.5% is levied by R.S. 27:393 on taxable net slot machine proceeds (proceeds after deducting the purse and breeder support). This levy would generate approximately \$1.4 million in FY04, \$3.6 million in FY05, and \$4.6 million in FY06 and beyond. From these amounts, 5% is to be deposited to the Orleans Parish Excellence Fund (FY04: \$70,000, FY05: \$180,000, FY06 and beyond: \$230,000). After that, the balance is available in the Pari-mutuel Live Racing Facility Gaming Control Fund for enforcement expenses of the LA Gaming Control Board, the Attorney General, and the gaming division of the State Police. Current law prioritizes the next \$12 million of proceeds from all licensed facilities combined to the LA Agricultural Finance Authority for boll weevil eradication and other programs, and the next \$1 million to the Rehabilitation for the Blind and Visually Impaired Fund.

The Re-Reengrossed bill adds two additional dedications of state receipts; \$50,000 per year to the Southern University Urban Tourism and Marketing Program and \$50,000 per year to the Orleans Parish District Attorney's Office. These two additional allocations will reduce receipts currently being deposited to the state general fund. For clarity, these amounts are not added to the statutory dedication means-of-finance in the table above so that that line can depict only the additional potential receipts from the facility being authorized by this bill.

See page two for further discussion of the fiscal impacts estimated above.



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CONTINUED EXPLANATION (continued from page one) : Page 2 of 2

CONTINUED REVENUE EXPLANATION:
NOTE: Amounts estimated above are not reduced for the possibility of this new gaming facility diverting gaming activity away from existing venues that remit revenue to the state (the land-based casino, Orleans riverboats, and video poker devices in the area). To the extent this occurs, total gaming activity will not increase by the amount implied by the estimates above. However, it is also possible that some gaming activity could be diverted from the Mississippi gulf coast. To the extent this occurs, it provides an offset of some amount to the diversion of gaming activity from existing venues. In addition, this venue may be able to expand the area gaming market by offering a somewhat differentiated product for this type of spending. Still, **these estimates could be maximums**, achievable only after some period of time has allowed the entire area gaming market to develop. Estimates for budget purposes will be presented to the Revenue Estimating Conference when gaming operations have begun.

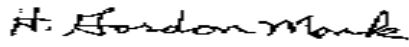
The annual slot machine net proceeds estimate is based on the following assumptions: (a) the facility will have an average of 150 devices during FY04, 400 throughout FY05, and 500 throughout FY06 - FY08 and, (b) the devices at the facility will generate proceeds comparable to the slot machines in the Orleans area riverboat casino market {approximately \$60,00 per device per year}. The device revenue estimates were derived by taking 77% of annual market area riverboat gross gaming revenues and dividing that by the approximate number of devices in the market. This analysis was done in 2001 and is retained for the purposes of this fiscal note.

NOTE: The Department of Public Safety reported projected revenue to the state on the basis of industry experts. No explanation of those projections was provided. Those projections are \$1.027 million in FY04, \$1.413 million in FY05, \$1.800 million in FY06, \$1.890 million in FY07 and, \$1.984 million in FY08. At a minimum, these estimates compared to the estimates presented on page one, serve to point out the fairly large range of possible outcomes resulting from slot machine gaming in the New Orleans area. From these amounts all enforcement expenses would have to be paid, as well as the 5% allocation to the Orleans Parish Excellence Fund. Should the priority allocations to agriculture and blind services be satisfied by the combined receipts of licensed facilities, the balance would accrue to the state general fund.

NOTE: The slot machine gaming facility contemplated by this bill will be located at the Fairgrounds live racing facility in Orleans Parish. That facility will have to give up any video poker devices that it operates when slot machine gaming begins. Those devices are generating remittances to the state that will be lost with the start of slot machine gaming. For other similar bills the State Police gaming enforcement staff were contacted in 2001 to obtain information on video poker remittances from these facilities but that staff reported that they could not release such information concerning particular facilities. Thus, this fiscal note does not account for that revenue loss.

CONTINUED EXPENDITURE EXPLANATION:
Expenses reported by the Department of Public Safety include 4 positions in the office of state police and 2 positions in the LA Gaming Control Board, as well as all equipping and operating costs. For DPS, these expenses total \$322,000 in FY04, \$307,000 in FY05, \$318,000 in FY06, \$329,000 in FY07 and, \$341,000 in FY08. The Attorney General indicates that the activity they perform can be handled with current staff.

Dual Referral Rules

<u>Senate</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost	<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	H. Gordon Monk
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change	<input checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year	STAFF DIRECTOR